

**REPORT OF THE AUDIT OF THE
FORMER SHELBY COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

January 5, 2003



**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FORMER SHELBY COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

January 5, 2003

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2002 Taxes for the former Shelby County Sheriff as of January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff collected taxes of \$16,953,851 for the districts for 2002 taxes, retaining commissions of \$428,640 to operate the Sheriff's office. The former Sheriff distributed taxes of \$16,513,080 to the districts for 2002 taxes. Taxes of \$117 are due to the districts from the Sheriff.

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Rob Rothenburger, Shelby County Judge/Executive
Honorable Harold Tingle, Former Shelby County Sheriff
Honorable Mike Armstrong, Shelby County Sheriff
Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the former Shelby County Sheriff's Settlement - 2002 Taxes as of January 5, 2003. This tax settlement is the responsibility of the former Shelby County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Shelby County Sheriff's taxes charged, credited, and paid as of January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

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Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

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Honorable Harold Tingle, Former Shelby County Sheriff

Honorable Mike Armstrong, Shelby County Sheriff

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In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2003, on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2003

SHELBY COUNTY
HAROLD TINGLE, FORMER COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

January 5, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,870,669	\$ 2,827,513	\$ 9,754,203	\$ 2,255,327
Tangible Personal Property	148,147	96,498	685,856	592,223
Intangible Personal Property				175,390
Taxes Increased Through				
Erroneous Assessments	375	559	1,950	474
Franchise Corporation	73,388	71,738	347,842	
Additional Billings	3,553	4,085	18,469	4,368
Penalties	151	167	784	185
Adjusted to Sheriff's Receipt	<u>(5)</u>	<u>46</u>	<u>4</u>	<u>20</u>
Gross Chargeable to Sheriff	<u>\$ 2,096,278</u>	<u>\$ 3,000,606</u>	<u>\$ 10,809,108</u>	<u>\$ 3,027,987</u>
<u>Credits</u>				
Exonerations	\$ 4,342	\$ 5,852	\$ 22,177	\$ 7,787
Discounts	31,423	45,456	162,435	48,108
Bills Transferred to Incoming Sheriff	<u>181,775</u>	<u>258,763</u>	<u>941,565</u>	<u>270,445</u>
Total Credits	<u>\$ 217,540</u>	<u>\$ 310,071</u>	<u>\$ 1,126,177</u>	<u>\$ 326,340</u>
Taxes Collected	\$ 1,878,738	\$ 2,690,535	\$ 9,682,931	\$ 2,701,647
Less: Commissions *	<u>80,134</u>	<u>88,155</u>	<u>145,244</u>	<u>115,107</u>
Taxes Due	\$ 1,798,604	\$ 2,602,380	\$ 9,537,687	\$ 2,586,540
Taxes Paid	1,797,665	2,600,861	9,532,838	2,581,716
Refunds (Current and Prior Year)	<u>927</u>	<u>1,487</u>	<u>4,811</u>	<u>4,789</u>
Due Districts as of		**		
Completion of Fieldwork	<u>\$ 12</u>	<u>\$ 32</u>	<u>\$ 38</u>	<u>\$ 35</u>

* and ** See Page 4

The accompanying notes are an integral part of the financial statement.

SHELBY COUNTY
HAROLD TINGLE, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES
January 5, 2003
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	6,455,966
1.5% on	\$	9,682,931
1% on	\$	804,954

** Special Taxing Districts:

Library District	\$	3
Health District		3
Extension District		1
US 60 E Fire District		1
Plum Creek Watershed District		23
Landfill District		<u>1</u>

Due Districts as of		
Completion of Fieldwork	\$	<u><u>32</u></u>

The accompanying notes are an integral part of the financial statement.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 30, 2002 through January 5, 2003, when the incoming sheriff signed for unpaid tax bills.

Note 4. Interest Income

The former Shelby County Sheriff earned \$16,498 as interest income on 2002 taxes. The Sheriff distributes a portion to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of April 15, 2003, the former Sheriff owes \$470 in interest to the school district and \$639 in interest to his fee account.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2002 taxes, the former Sheriff had \$7,356 in unrefundable duplicate payments and unexplained receipts. Therefore, the former Sheriff should send a written report to the Treasury Department.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Shelby County Sheriff's Settlement - 2002 Taxes as of January 5, 2003, and have issued our report thereon dated April 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Shelby County Sheriff's Settlement - 2002 Taxes as of January 5, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Shelby County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2003

